

# **KEY ANACON MINES**

L I M I T E D

## **TWENTY-SECOND ANNUAL REPORT**

**F O R   T H E   Y E A R   E N D E D   D E C E M B E R   3 1 ,   1 9 6 9**

# KEY ANACON MINES LIMITED

## BOARD OF DIRECTORS

L. F. DALEY, Q.C. .... Halifax, Nova Scotia  
R. J. ISAACS ..... Islington, Ontario  
W. D. MACAULAY ..... Saint John, New Brunswick  
G. L. MOORE ..... Islington, Ontario  
J. I. M. WHITCOMB ..... Saint John, New Brunswick

## OFFICERS

R. J. ISAACS ..... President  
G. L. MOORE ..... Vice-President  
W. D. MACAULAY ..... Secretary  
D. A. MACFARLANE ..... Treasurer

## REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA ..... Toronto, Ontario

## AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON,  
Chartered Accountants ..... Saint John, New Brunswick

## OFFICES

HEAD OFFICE ..... Suite 3706, Royal Trust Tower, Toronto Dominion Centre,  
Toronto 111, Ontario

FINANCIAL ADMINISTRATION ..... Golden Ball Building,  
Saint John, New Brunswick

# KEY ANACON MINES LIMITED

## *Directors' Report*

To the Shareholders:

Your Directors are pleased to submit for your consideration the twenty-second annual report of your Company for the year ended December 31, 1969. This report includes the Company's financial statements and the auditors' report.

### **Financing:**

You may recall that in January, 1969, a shareholders' meeting was convened to approve increasing the authorized capital stock of the Company from six million to ten million shares to enable a rights offering which was made the following month. The rights offering was completely taken up by the shareholders and the underwriter and accordingly, 1,633,231 shares were issued for \$979,938.

Immediately prior to the rights offering, the Company's debenture holders exercised their conversion privilege and debentures having a principal value of \$540,000 (together with accrued interest of \$193,069) were surrendered in exchange for 1,154,240 treasury shares.

The results of these two financial transactions enabled your Company to substantially reduce its outstanding debt and the related interest costs.

A further shareholders' meeting held on December 29, 1969 approved the issue of \$200,000 8¾ % two year notes. These notes were issued to Kent Line Limited and the funds received therefrom in January, 1970. The Company's holdings of 595,900 common shares of Brunswick Mining and Smelting Corporation Limited were pledged as security for these notes, subject to the outstanding charge thereon in favour of the Royal Bank of Canada. In consideration of this loan, the Company granted to Kent Line Limited an option, exercisable while the notes are unpaid but not later than January 21, 1972, to purchase shares in the Company up to an aggregate value of \$200,000. The purchase price of such shares is to be computed at the equivalent of the average

daily closing price for board lots of shares of the Company traded on the Toronto Stock Exchange over the three month period immediately preceding the date of purchase of the shares, less 20% of such average daily closing price provided, however, that such purchase price is never to be less than 45¢ per share. A maximum of 444,445 shares have been allotted for this purpose.

Also at the shareholders' meeting on December 29, 1969, authorization was given to the Directors to borrow an additional sum of up to \$600,000 upon terms to be decided by the Directors subject to approval by the Toronto Stock Exchange. To date no funds have been borrowed under this authorization.

### **Operations:**

In April 1969 the Company entered into an arrangement under which all of its interest in its mining claims in the townships of LaDauversiere and Rohault, Quebec, were transferred to a new Ontario company, Ammark Mines Limited, in exchange for 300,000 of its treasury shares and other rights. In April, 1970, the Company consented to the transfer of all the assets of Ammark Mines Limited to Chibex Mining Corporation, a Quebec company, and in consideration therefore the Company secured the right to participate in the future financing of this company for a two year period. The Company has assigned a value of \$1.00 to the shares of Ammark Mines Limited which it has received. The total accumulated cost of the claims transferred amounting to \$1,856,238 has been charged to retained earnings for accounting purposes only.

The Company also owns shares of Hewbet Mines Limited, Bachelor Lake Gold Mines Limited and Bocabois Gold Mines Limited, companies which are dormant or have been wound up. These shares have been written down to a value of \$1.00 and the balance of the cost, namely \$145,114, has also been charged to retained earnings.



Administrative expenses for the year 1969 totalled \$137,494 compared with \$167,244 in the previous year. The major item of cost was interest charges which amounted to \$63,441 in 1969 compared with \$138,289 in the previous year.

#### Current Activities:

The Company has retained its holdings of 595,900 common shares of Brunswick Mining and Smelting Corporation Limited which have a book value of \$2,086,262 compared with a market value of approximately \$5,243,000 as at December 31, 1969. The President of Brunswick has stated that the long term outlook for the company is bright.

We have maintained in good standing our mining property in the County of Gloucester, New Brunswick and are currently obtaining independent consultants' reports to assess the possibility of putting this property into production. It is expected that this exercise will develop additional information with respect to ore reserves and the capital cost of construction which will be of permanent use to the management of the Company.

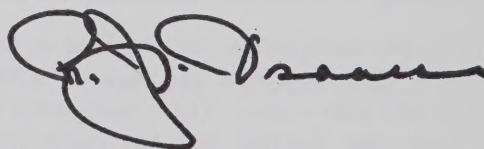
A new estimate has been made of ore reserves at the Gloucester County property based on criteria more rigid than those previously used. The new estimate, which excludes probable or inferred ore, shows the following quantities and values (before dilution):

	<u>Tons</u>	<u>% Lead</u>	<u>% Zinc</u>	<u>% Copper</u>	<u>Silver Oz./ Ton</u>
Proven ore	939,000	2.35	5.98	0.42	2.51
Drill indicated ore	1,011,000	2.03	5.78	0.07	2.12

Subsequent to December 31, 1969, the Company transferred its head office to the Royal Trust Tower, Toronto Dominion Centre, Toronto, Ontario and its financial administration office to Saint John, New Brunswick.

The Directors of the Company wish to express their disappointment at those sections of the White Paper issued by the Honorable E. J. Benson, Minister of Finance, in November of 1969 which seem to indicate that the Government no longer wishes to stimulate mining investment in Canada. One can only hope that the watered-down alternatives offered by the Government to the mining industry will be substantially revised prior to the implementation of legislation. In addition, the Government's activity in the first quarter of 1970 in interfering with such basic commercial affairs as the price of copper is an additional indication that the mining industry can no longer depend upon the present Government for encouragement. Such factors have a significant impact on decisions relating to the startup of any new mine.

On behalf of the Board



R. J. ISAACS,  
President.

May 19, 1970.

Thorne,  
Gunn,  
Helliwell  
& Christenson

Hudson, McMackin & Company

CHARTERED ACCOUNTANTS  
Suite 1400, Brunswick House  
Saint John, N.B.

### AUDITORS' REPORT

To the Shareholders of  
Key Anacon Mines Limited

We have examined the balance sheet of Key Anacon Mines Limited as at December 31, 1969 and the statements of retained earnings, contributed surplus, deferred development and administrative expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,  
Chartered Accountants.

April 6, 1970

# KEY ANACON

(Incorporated under the laws of the State of New York)

## Balance Sheet— (with comparative figures for 1968)

ASSETS		1969	1968
<b>Current Assets</b>			
Cash .....	\$	22	\$ 1,103
Accounts receivable .....		869	743
Prepaid expenses .....		1,402	2,223
		<u>2,293</u>	<u>4,069</u>
<b>Other Assets</b>			
Investments (note 1) .....		2,086,262	2,231,377
Stores and supplies, at cost .....		38,279	38,279
		<u>2,124,541</u>	<u>2,269,656</u>
<b>Fixed Assets and Deferred Expenditures</b>			
Mining properties .....		82,670	203,485
Land, buildings, plant and equipment .....		466,706	513,192
Deferred development and administrative expenditures .....		4,270,615	5,846,252
		<u>4,819,991</u>	<u>6,562,929</u>
		<u><u>\$6,946,825</u></u>	<u><u>\$8,836,654</u></u>

Approved by the Board

R. J. ISAACS, Director.

W. D. MACAULAY, Director.



# MINES LIMITED

(Incorporated under the laws of Ontario)

December 31, 1969

December 31, 1968)

## LIABILITIES

	1969	1968
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities .....	\$ 66,307	\$ 303,410
Promissory notes .....		115,000
	<u>66,307</u>	<u>418,410</u>
Bank loan (note 2) .....	575,000	1,071,289
6% Convertible debentures (note 3ii) .....		540,000
Accrued interest to December 31, 1968 .....		189,030
		<u>729,030</u>

## SHAREHOLDERS' EQUITY

<b>Capital Stock (note 3)</b>		
Authorized		
10,000,000 Shares of the par value of 20 cents each		
Issued		
8,166,157 Shares in 1969; 5,378,686 shares in 1968 .....	1,633,231	1,075,737
Contributed surplus .....	4,462,308	3,306,795
Retained earnings .....	209,979	2,235,393
	<u>6,305,518</u>	<u>6,617,925</u>
	<u>\$6,946,825</u>	<u>\$8,836,654</u>

# KEY ANACON MINES LIMITED

## *Statement of Retained Earnings*

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968
Balance at beginning of year	\$2,235,393	\$2,292,905
Write off on disposal of mining claims, mining equipment and deferred mine development (note 1)	1,856,238	
Investments written down (note 1)	145,114	
Loss on disposal of mine equipment and building	24,062	
Mine equipment abandoned	—	28,629
Mining claims abandoned	—	19,870
Deferred development on claims abandoned	—	9,013
	<u>2,025,414</u>	<u>57,512</u>
Balance at End of Year	<u>\$ 209,979</u>	<u>\$2,235,393</u>

## *Statement of Contributed Surplus*

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968
Balance at beginning of year	\$3,306,795	\$3,306,795
Premium on shares issued during the year	1,155,513	—
Balance at End of Year	<u>\$4,462,308</u>	<u>\$3,306,795</u>

## *Statement of Deferred Development and Administrative Expenditures*

YEAR ENDED DECEMBER 31, 1969

	Balance at beginning of year	Additions	Disposal	Balance at end of year
Development expenses				
New Brunswick property	\$2,120,067	\$ 7,564		\$2,127,631
Chibougamau property	1,720,697	1,827	\$1,722,524	
	<u>3,840,764</u>	<u>9,391</u>	<u>1,722,524</u>	<u>2,127,631</u>
Administrative expenses	2,005,488	137,494		2,142,982
Shares in other mining companies at nominal value		2		2
	<u>\$5,846,252</u>	<u>\$ 146,887</u>	<u>\$1,722,524</u>	<u>\$4,270,615</u>



# KEY ANACON MINES LIMITED

## *Statement of Source and Application of Funds*

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

Source of Funds	1969	1968
Capital stock issued (note 3)		
Cash .....	\$ 979,938	
Debenture interest for 1969 satisfied by issue of shares .....	4,039	
Disposal of equipment .....	8,654	\$ 3,703
Proceeds, easement right of way .....	870	
Current instalment of 6% debentures reclassified .....		180,000
Accrued interest on debentures .....		189,030
	<u>993,501</u>	<u>372,733</u>
Application of Funds		
Reduction of bank loan .....	496,289	
Development and administrative expenditures .....	146,885	176,523
	<u>643,174</u>	<u>176,523</u>
Increase in working capital .....	350,327	196,210
Working capital deficiency at beginning of year .....	414,341	610,551
Working capital deficiency at end of year .....	<u>\$ 64,014</u>	<u>\$ 414,341</u>

# KEY ANACON MINES LIMITED

## *Notes to Financial Statements*

YEAR ENDED DECEMBER 31, 1969

### 1. INVESTMENTS

During the year, the Company transferred its investment in the Chibougamau mining claims and concessions to a new company, Ammark Mines Limited, in consideration for 300,000 shares and the right to participate in future financing. The Company has assigned to the shares a nominal value of \$1.00 and written off to retained earnings the investment in property, equipment and deferred development cost, amounting to \$1,856,239.

The Company also wrote off former investments having a cost of \$145,114.

At December 31, 1969, the Company's investment in 595,900 shares of Brunswick Mining and Smelting Corporation Limited was carried at a book value of \$2,086,262 and had a quoted market value of \$5,243,920 (\$5,198,635 in 1968). Because of the large block of shares in this Company, the quoted market value is not necessarily indicative of the amount that might be realized if this investment was to be sold.

### 2. BANK LOAN

Bank loan is secured by pledge of shares of Brunswick Mining and Smelting Corporation Limited.

### 3. CAPITAL STOCK

- (i) Supplementary letters patent obtained during the year increased the number of authorized shares from 6,000,000 to 10,000,000 having a par value of 20¢ each.
- (ii) All the 6% convertible debentures plus accrued interest to date of conversion were converted (under the terms of the Trust Indenture as amended November 5, 1968) into 1,154,240 fully paid shares increasing issued capital stock by \$230,848 and contributed surplus by \$502,221.
- (iii) 1,633,231 shares were issued for cash during year increasing the issued capital stock by \$326,646 and contributed surplus by \$653,292.

### 4. SUBSEQUENT EVENTS

Subsequent to December 31, 1969 the company acquired a \$200,000 loan bearing interest at rate of 8¾% for working capital purposes. The loan is secured by a charge on the shares of Brunswick Mining and Smelting Corporation Limited, subject to present charge thereon. The loan is accompanied by an option to purchase shares in the capital stock of the company up to an aggregate value of \$200,000.

The Company has allocated a maximum of 444,445 shares of unissued stock for the possible exercise of the option.

### 5. OTHER STATUTORY INFORMATION

The remuneration of directors and senior officers (as defined by The Corporations Act, which includes the five highest paid employees) amounted to \$4,961 (\$5,917 for 1968).

In addition to the foregoing, Messrs. McKelvey, Macaulay, Machum and Fairweather, in which firm 2 directors, Messrs. W. D. Macaulay and J. I. M. Whitcomb, are partners, were paid \$7,757 for legal services.





